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SUBJECT: SUPPORTING REFORM - JORDANIAN PLANNING MINISTER'S
WASHINGTON VISIT

1. (SBU) New Jordanian Planning Minister Suhair al-Ali will visit Washington the week of August 1. The articulate, Georgetown-educated Citibanker is on the frontlines of Jordan's reform program, and was handpicked by the King. Her intention is to brief on Jordan's economic and fiscal situation, and recent steps to impose austerity while moving forward on comprehensive reforms, and to seek help to sustain that difficult process. This trip comes at a time when King Abdullah's reform efforts are arguably at a make-or-break point. Reformers throughout the region will watch Jordan closely in the coming months, as they calculate whether or not to take the risks that come with reform. Because of the importance of King Abdullah's agenda to the prospects for regional reform, we urge al-Ali's Washington interlocutors to look carefully at our options for supporting reform in Jordan through what promises to be a difficult stretch.

2. (SBU) King Abdullah's reform agenda has just come through a bruising encounter with the largely anti-reform parliament. This cabinet team is both the most reform-oriented and the most unpopular one in Jordan's parliamentary history) which is no coincidence. We are approaching the September rollout of the report of the royal commissions charged with setting a reformist "national agenda" and a regionalization program. It is likely that the reports' prospects for a positive reception are already being undermined by a worsening fiscal crisis and attendant, belt-tightening measures that are highly unpopular. Jordanian officials believe it will be hard to maintain, much less advance, reforms given their fiscal situation. Aggressive plans for tax reform, privatization, and elimination of subsidies are proceeding, but are likely only to close the government's budget deficit. For capital expenditures, Jordan remains dependent on external support. Deputy Prime Minister al-Muasher expressed to us his concern that if the unbudgeted National Agenda fails to deliver rapidly on its promise of better, more representative, more responsive government, the reform initiative and this government will be permanently discredited. That outcome would present the King with unpalatable choices: allow formation of the conservative, backward looking sort of cabinet that could gain parliamentary support, or dissolve parliament and call for early elections. That second course will create a political crisis and further confuse a public that as yet is not fully committed to a reform program it does not fully understand. Muasher puts the initial bill for National Agenda implementation at 315 million Jordanian dinars.

3. (SBU) Jordanian officials are grateful for the exceptional support the U.S. continues to offer. Al-Ali will arrive in Washington with plans to strategize on how Jordan can gain the continued financial backing needed to see it and its reform program through a challenging fiscal and political environment. She will make the point that all other donors look to the U.S. for leadership; if the U.S. is not championing Jordan's cause, the others turn a deaf ear. Specifically, she will explore receptivity to additional U.S. assistance in the following ways:

--Higher regular ESF assistance in the FY 2006 budget.

--Eligibility for assistance through the Millennium Challenge Account; if Jordan is found eligible, al-Ali will develop a proposal which advances the National Agenda. She has mentioned a figure as high as \$500 million, over two to three years. A proposal can be assembled by October 2005. Jordan's case will include their demonstrated track record on implementation of U.S. foreign assistance. As the Queen told Secretary Rice in June, nowhere is the U.S. getting a better return on its investment in reform than in Jordan.

--U.S. support for debt cancellation from the G-7. Subsequent to her meeting with the Deputy Secretary, al-Ali informed us that she will not seek U.S. debt cancellation, but would like to focus on cancellation of Japan's \$1.6 billion debt. This alone would reduce the annual budget deficit by about \$70 million a year in debt service.

14. (SBU) The timetable for additional support will also be a focus. For reasons cited, the government seeks additional support in calendar year 2005, either through additional ESF in U.S. fiscal year 2006 or through the MCA. We have made very clear the obstacles in meeting such a timetable, but al-Ali will begin that discussion during her Washington visit, likely to continue in late September if the King receives a favorable reply to his request for a Washington visit.

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